

Kentucky Agricultural Development Fund Update

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National Governor's Association Selects Kentucky as a Model of Agricultural Development

The National Governor's Association (NGA) Center for Best Practices recently recognized the Kentucky Agricultural Development Fund as a national model for agricultural development. In its nationally distributed issue paper entitled "Innovative State Policy Options to Promote Rural Economic Development," released in February, the NGA says that Kentucky's approach of combining local plan and priority development with a business approach to capital investment represents a new and effective way to promote agricultural development and diversification.

The Agricultural Development Fund is at the heart of reinvigorating the agriculture economy in Kentucky through diversification and value-added agriculture strategies. Kentucky's effort to diversify away from tobacco production, while revitalizing the farm economy, by investing 50% of Kentucky's Master Settlement Agreement into the Kentucky Agricultural Development Fund is a commitment that has garnered praise across the country.

The report states, "*The most innovative programs provide resources for careful planning and market analysis and technical assistance to emerging agricultural entrepreneurs.*" (NGA Center for Best Practices, February 2003)

"What Kentucky is doing is the right focus on re-energizing the entrepreneurial spirit in the tobacco community," stated Phil Psilos, the NGA Director of Economic and Technology Policy Studies. "I can't overstate how important this is. This is a national model that combines top-down strategic coordination and bottom-up planning."

Through investments from the Agricultural Development Fund, we have made notable progress in the past two-plus years in reducing dependency on tobacco income. However, our commitment must be sustained. There is still much work to be done to ensure a sustainable rural economy for future generations. We have embarked on a long-term project that demands the continued commitment of future Governors, our General Assembly, and the citizens of the Commonwealth.

Unless this commitment is maintained, we will be compromised in our ability to maximize the return on investments already made, not to mention leaving work unfinished in our state's most tobacco dependent areas. This program is a long-term approach to creating the new revenue that the Commonwealth needs so badly at present. Tobacco income has been reduced by about \$500 million in each of the last three years. This loss is only part of the revenue problems facing legislators, but the Agricultural Development Fund program has established a sound foundation for future economic growth on farms and in rural communities throughout Kentucky.

The National Governors Association (NGA) is the collective voice of the nation's governors and one of Washington, D.C.'s most respected public policy organizations.

For more information on the Agricultural Development Fund and financing opportunities through the fund contact the Governor's Office of Agricultural Policy.

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*Cultivating rural
prosperity*

DATES TO REMEMBER:

Mar. 14—Board Project
Review (Frankfort)

Mar. 21—Board Meeting,
10:00 a.m. KY History Cen-
ter (Frankfort)

KY Tobacco Settlement Trust Corporation Meeting

The next meeting of the
KTSTC (Phase II Board)
is scheduled for March
31, 2003 11:00 a.m. The
meeting will be held in
the Capitol Room 110.

For more information,
contact Jeff Harper at
(502) 564-4627.



ADF Board Meeting in Review

At its February 2003 meeting, the Kentucky Agricultural Development Board funded over \$3,576,977 in diversification projects for Kentucky agriculture.

Sixteen non-model projects were approved for over \$2.6 million in state, \$60,000 in KCADE, and \$547,286.12 in county funds. These projects ranged in scope from collaborative marketing to shared use horticulture equipment.

The balance of funds approved were for five of the six model programs. Carlisle and Mason Counties committed a total of \$59,298 to the Cattle Genetics Program. \$24,500 in additional funds for Forage Improvement Programs was approved for Franklin, Lee and Mercer Counties. Carlisle, Jessamine, Lee and Nicholas Counties committed and additional \$74,391 total to the Cattle Handling Program. \$38,277 was approved for Goat Diversification in Bourbon and Muhlenberg Counties. Agricultural Diversification Programs were approved for a total of \$173,500 in Fayette, Mercer, Pulaski and Wolfe Counties.

At the meeting, Don Van Erden of the Van Erden Group presented the results of the aquaculture marketing study commissioned by the Board and funded with KCADE dollars. Mr. Van Erden provided an overview of the aquaculture industry, as well as specific suggestions to help the industry and specific sectors within the industry to move forward. Mr. Van Erden's study indicated that there are many opportunities to be captured in Kentucky's aquaculture industry.

For a complete listing of projects funded visit <http://www.kyagpolicy.com/news/>.

Since January 2001, over 900 proposals have been approved committing over \$100 million to agricultural diversification in Kentucky.

Ask Mr. Mosley

What exactly is meant by funding cycle?

The term "funding cycle" has no specific meaning from our point of view and has turned into a "term of art" in administering these programs. I believe that people typically use the term "funding cycle" to mean the initial "round" of funding that ends with the date listed by the applicant on their application.

For some people, it is synonymous with the depletion of the funds requested in initial application regardless of whether it exceeds the time period mentioned on the application.

Regardless of the meaning one attaches to the term, the program must be administered in a manner that allows for maximum participation and a fair and orderly decision-making process if all participants cannot be funded.

Can an applicant receive funding in multiple funding cycles for the same program?

While I am not aware of a specific prohibition against it, it certainly is a practice that should be strictly scrutinized. Every effort should be made to advertise and seek out producers that have not participated in the cost-share model programs prior to engaging in a second round of funding where previously funded individuals could receive additional funding. Further, prior to initiating another round of funding where previously funded individuals

could receive additional funding, the program administrator should consider requesting the Board to transfer the remaining money to another program or send it back to the Board to be put back in the county account for future projects.

What if we need to make adjustments to the program?

The Board recognizes that program amounts generally are estimates made by the program administrators as to the level of participation in their county for that particular program. Adjustments are easily accomplished by requesting the Board to amend the administrator's legal agreement for the purpose of adjusting the funding level up or down.

Please note that any and all amendment requests must be approved by the Board prior to the physical transfer of any funding from one program to another or back to Frankfort.

At the time this article was written Jeff Mosley was Legal Counsel for this office and the Agricultural Development Board. Since then, Mr. Mosley has accepted a position with the Cabinet for Workforce Development. We wish Mr. Mosley the best in his new position.

Model Program Updates

Hay, Grain & Commodity Storage

At the February Board meeting, the *Hay, Straw & Grain Program* was amended to become the *Hay, Straw & Commodity Program*. The program was amended to include provisions for blended feed storage.

These changes were made to give livestock producers the opportunity to invest in commodity or blended feed storage facilities. One of the economic benefits of this change is the producer's ability to purchase commodities or blended rations at bulk rates to improve livestock gains.

The complete guidelines for this program and a sample evaluation form are available at www.kyagpolicy.com/funds/model_programs.shtml.

Goat Diversification Program

Also at the February Board meeting, a provision for conversion of tobacco barns was added to the *Goat Diversification* guidelines.

The Board recognized that goat handling and kidding requires adequate protection from weather, particularly if done in the late fall, winter or early spring in Kentucky.

The amendment allows for cost-share on materials to renovated existing tobacco barns. This item is listed as #13 under **II-A. Eligible Cost-share Items: On-farm Goat Handling Equipment**.



Agricultural Diversification

In addition, two amendments to the *Agricultural Diversification Program* have been approved by the Board.

The first amendment provides for transportation equipment for bees. As a result, the following is added to **5.1 Small Animal Production—Bees**: 9. Non-motorized equipment essential for the transportation of beehives.

The second amendment adds reimbursable cost-share items for on-farm direct-to-consumer sales activities. The following on-farm direct-to-consumer sales cost-share items are eligible investments under each investment area:

1. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product. [Meeting rooms, exposition centers, educational facilities and construction or improvements to buildings serving primarily as residences are not eligible cost share items.]
2. Site preparation including on-site utility extensions and officially permitted on site waste treatment facilities
3. Refrigerated equipment for storing product
4. Display equipment, including refrigerated equipment, to assist in selling of product

Additionally, the maximum amount allowable for promotional and advertising materials in each of the investment areas has been increased to **\$1,000**.



2003 EPDs for the Cattle Genetics Program have been posted.

<http://www.kyagpolicy.com/funds/cattle.shtml>



Details for these amendments and the updated guidelines are available at www.kyagpolicy.com/funds/model_programs.shtml.



2nd Annual KY Opportunity Marketplace

On April 21, 2003, the Governor's Office of Agricultural Policy and the Kentucky Center for Agricultural Development & Entrepreneurship will present the 2nd Annual KY Opportunity Marketplace / ADF Annual Meeting at Lexington's Marriott Griffin Gate hotel.

This year the annual meeting of County Council members and the Marketplace exhibits and workshops will be combined into one day.

Projects funded through the Agricultural Development Fund will be featured in the exhibit area, along with

agencies, universities and organization important to Kentucky's agricultural and rural communities.

A wide variety of workshops will be available in one of two categories: agricultural diversification, leadership & technical assistance. The agricultural diversification workshops will feature producers who have experience in a particular enterprise in both production and marketing. The leadership & technical assistance workshops will provide opportunities for County Council members and others to broaden their skill sets in such lead-

ership topics as *Cultivating New Ideas* or technical assistance topics as *Using Your Computer for Marketing*.

If you are interested in exhibiting, presenting a workshop or participating, then please contact Sandy Gardner (502) 564-4627. This year's event will have a small fee associated with exhibiting and participation.

Mark your calendars and keep an eye out for more information to follow.

GOAP Website Updates

County Fund Availability table updated:

<http://www.kyagpolicy.com/funds/availability.shtml>

Calendar updated: <http://www.kyagpolicy.com/calendar.shtml>

Meetings details updated:

<http://www.kyagpolicy.com/board/meetings.shtml>

Green River Cattle Company featured on home page:

<http://www.kyagpolicy.com/>

Counties with Model Programs pages updated:

http://www.kyagpolicy.com/funds/funded_model_programs.shtml

Amendment to the Goat Diversification Program posted:

<http://www.kyagpolicy.com/funds/goat.shtml>

Amendments to the Agricultural Diversification Program posted:

<http://www.kyagpolicy.com/funds/diversification.shtml>

Amendments to the Hay, Straw & Commodity Storage Program posted:

<http://www.kyagpolicy.com/funds/hay.shtml>

Save the Date

Agricultural Finance Corporation

Wednesday, March 19

9:30 a.m.

Berry Hill Mansion

KTSTC Meeting

Monday, March 31

11:00 a.m.

Capitol Room 110

2nd Annual KY Opportunity Marketplace / ADF Annual Mtg.

Monday, April 21

Marriott Griffin Gate, Lexington

If you wish to receive any of the documents mentioned in this newsletter either via fax or regular mail, please contact our office by e-mail, govkyagpolicy@mail.state.ky.us, or by phone, (502) 564-4627.

